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RULSDMK/DEPT OF TRANSPORTATION WASHDC  
RHMFIUU/FAA NATIONAL HQ WASHINGTON DC  
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SIPDIS  
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STATE FOR SCA/INS AND EEB  
USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD  
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR  
DEPT PASS TO USTR CLILIENTFELD/AADLER/CHINCKLEY  
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT  
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN  
USDA pass FAS/OCRA/Radler/Bean/Carver/Riker  
EEB/CIP DAS GROSS, FSAEED, MSELINGER  
DEPT PAS TO USTDA HSTEINGASS/JNAGY

E.O. 12958: N/A  
TAGS: [EAGR](#) [EAIR](#) [ECON](#) [ECPS](#) [EFIN](#) [EINV](#) [ENRG](#) [EPET](#) [ETRD](#) [BEXP](#)  
KIPR, KWMN, PHUM, SENV, IN

SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF  
SEPTEMBER 8 TO SEPTEMBER 12, 2008

11. (U) Below is a compilation of economic highlights from Embassy  
New Delhi for the week of September 8 to September 12, 2008,  
including the following:

- USTDA GRANT PROMOTES ENERGY SECURITY IN INDIA
- DOE DELEGATION FOLLOWS UP ON ENERGY DIALOGUE
- INDIA'S INFRASTRUCTURE SECTOR REGISTERS SLUGGISH GROWTH
- ARUN RAMANATHAN, NEW SECRETARY FOR DEPARTMENT OF ECONOMIC AFFAIRS
  
- NEW PENSION SCHEME FOR INFORMAL SECTOR WORKERS

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USTDA GRANT PROMOTES ENERGY SECURITY IN INDIA  
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12. (U) Promoting energy security, new fuels technology, and energy  
efficiency in India is the goal of a \$600,000 USTDA grant awarded  
today to Reliance Industries Limited (RIL) to partially fund a  
feasibility study for a coal-to-liquids project. The study will  
consider the application of advanced proprietary technology to  
co-process domestic Indian lignite coals with petroleum refinery  
residues produced at RIL's refinery at Jamnagar in the Western India  
state of Gujarat, in order to produce a variety of synthetic liquid  
fuels for the domestic market. The grant was conferred on RIL by  
Deputy Chief of Mission Steven White at a September 12 ceremony.

13. (U) Given the tremendous growth in demand for liquid fuels,  
coupled with increasing costs for imported crude oil and petroleum  
products, RIL has been focusing on commercially viable and  
innovative alternatives to supply energy needs in India. This grant  
supports RIL's efforts to convert low-value refinery residues  
together with Indian lignite coals into synthetic fuels that are in  
high demand. This grant also supports the objectives of the  
U.S.-India Energy Dialogue, which was launched in May 2005 to  
promote increased trade and investment in the energy sector by  
working with the public and private sectors to further identify  
areas of mutual cooperation.

14. (U) RIL has selected Headwaters CTL of South Jordan, Utah, which  
owns the rights to the coal-to-liquids technology under

consideration, to perform the USTDA-funded feasibility study. In addition to the USTDA grant, Headwaters and RIL will contribute additional resources in support of the study's completion.

15. (U) Successful completion of this study is expected to result in RIL establishing a minimum 20,000 barrels per day capacity plant with an estimated capital cost of \$1-to-1.2 billion. The U.S. export content for the project overall could be in the range of \$150-170 million if the project is fully implemented. In the future, the value of U.S. exports could increase substantially if RIL decides to add a second and third co-processing train, which would raise overall synfuel capacity to about 60,000 barrels per day.

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DOE DELEGATION FOLLOWS UP ON ENERGY DIALOGUE  
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16. (SBU) U.S. Department of Energy (USDOE) Tom Cutler, Coordinator for the U.S.-India Energy Dialogue, and Raj Luhar (Senior Advisor, Fossil Energy) visited New Delhi September 9-11 to follow-up on progress on work plans from the Energy Dialogue's April 2008 meetings and discussed continuity in the Dialogue with GOI ministry officials of the four Working Groups on Coal; Oil and Gas; Power and Energy Efficiency; and New Technology and Renewable Energy. They met with the Ministry of External Affairs and drafted a joint statement energy item and fact sheet on bilateral energy relations for the upcoming POTUS meeting with Prime Minister Singh on September 125.

17. (SBU) Topics of discussion with GOI energy officials included:

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formation of a task force on integrated gas combined cycle (IGCC) technology; Gas Hydrates; launching of the Coal Bed Methane Coal Mine Methane Clearinghouse in November; a draft MOU on second generation (non-food-source) bio-fuels between USDOE and the Ministry of New and Renewable Energy; cooperation on clear coal thermal power technology between India's National Thermal Power Corporation and the USDOE National Energy Technology Laboratory; proposed Oil and Gas Working Group events in early 2009 related to oil and gas exploration bidding, strategic petroleum reserves; coal mining, washing, and safety; and workshops on energy efficiency in appliances and buildings. USDOE's Mark Ginsberg will visit in late September to advance projects in renewable energy and energy efficiency.

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INDIA'S INFRASTRUCTURE SECTOR REGISTERS SLUGGISH GROWTH  
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18. (U) Following the trend of the last few months, India's infrastructure sector with a combined weight of 26.7 percent in the index of industrial production grew tepidly at 4.3 percent in July 2008 compared to 7.2 percent in the same month of the previous year. Domestic crude oil production was the worst performer with a negative growth of 3 percent in July 2008 versus an 8 percent increase last year, despite demand rising at 30 percent a year. (Note: The fall in oil output is mainly because of the aging oil fields run by the government-owned company, Oil and Natural Gas Corporation, which produces over 90 percent of domestic oil.) Steel also performed poorly, registering a growth of 1.9 percent as compared to 10.8 percent in July 2007. Electricity generation was sluggish during the month growing at 4.5 percent compared to 7.5 last July. The petroleum refinery sector was the best performing sector as it expanded by 11.8 percent as against 4.7 percent in July last year. Cumulatively, during April-July 2008, infrastructure growth halved to 3.7 percent from 6.6 percent a year ago. Analysts opine that the slowdown in demand for manufactured goods and in the real estate activity (due to the increasing cost of funds) along with supply side constraints for sectors such as power, cement, and crude oil could have been the reasons for this sluggish growth.

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ARUN RAMANATHAN,  
NEW SECRETARY FOR DEPARTMENT OF ECONOMIC AFFAIRS

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¶9. (U) Arun Ramanathan, the current Financial Services Secretary at the Ministry of Finance, has been given the additional charge of Secretary, Department of Economic Affairs (DEA) for a period of three months, ostensibly until a longer-term successor is named. He replaces Dr. D. Subbarao, who has been appointed the new Governor of the Reserve Bank of India. The other position that Dr. Subbarao held at the Ministry of Finance - that of Finance Secretary, the top bureaucrat and number two at the Ministry - remains unfilled. Ramanathan became the Financial Services Secretary in January this year. Prior to becoming the Financial Services Secretary, he was Secretary at the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers since June 2007, overseeing the implementation of the Reddy Data Protection Committee Report and the issue of pharmaceutical pricing in India. He holds a number of post graduate degrees including Development Economics from Cambridge University, Nuclear Physics from Andhra Pradesh University, and Business Management from Madras. He is also an Associate of the Institute of Cost and Works Accountants of India. Ramanathan is scheduled to retire in April 2009, just in time for elections and the new government to be in place.

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NEW PENSION SCHEME FOR INFORMAL SECTOR WORKERS  
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¶10. (SBU) Meena Chaturvedi, Executive Director of the Pension Fund Regulatory and Development Authority (PRFDA) told Econoff on

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September 8 that Finance Minister Chidambaram has decided to move on additional pension sector reforms without waiting for passage of the pending PRFDA bill. The Finance Minister announced late last month that the New Pension Scheme (NPS), which currently covers government employees hired after January 2004, will be extended to all "private citizens", including private sector companies, self-employed professionals, and informal sector workers. The NPS architecture (consisting of a Central Recordkeeping Agency, the Fund Managers, the NPS Trust, the custodian and the Trustee Bank) is already in place. The government earlier this year appointed three public sector companies, including the Life Insurance Corporation of India, the State Bank of India and UTI Asset Management Company Private Limited as funds managers.

¶11. (SBU) Chaturvedi informed Econoff that the accumulated corpus amounting to about \$350 million (Rs 15 billion) has been transferred to the fund managers for investment. The individual registration and legacy data of the government employees would be transferred to the Central Recordkeeping Agency (CRA) by October 2008. 21 state governments have already issued notifications to join the NPS for their workers. Chaturvedi noted that six state governments - Goa, Gujarat, Madhya Pradesh, Chhattisgarh, Karnataka, and Andhra Pradesh - are on the verge of signing contracts with the Central Recordkeeping Agency.

¶12. (SBU) According to Chaturvedi, the PFRDA is aiming to have the system open for contributions from April 2009 onwards in Points of Presence (intermediaries) including banks and post offices. About 80 million subscribers are expected to join the NPS within the first few years. The PFRDA is considering several options for scaling up the current system to accommodate more subscribers. These include identifying more fund managers, including private fund managers. When asked about the possibility of foreign fund managers, Chaturvedi noted that the initial draft of the PFRDA bill had been silent on FDI, but that the Parliamentary Standing Committee on Finance had recommended that foreign entrance into the pension sector be commensurate with that in the insurance sector. Chaturvedi confirmed her understanding that if the insurance cap were to be raised from 26 to 49%, then the same amount of foreign equity would be allowed in pension fund managers.

¶13. (SBU) Initially, the pension funds would have only two investment choices, either investing the entire contribution in government securities alone, or following investment rules applicable to non-government provident funds, invest up to 15

percent of funds in a combination of equities and mutual funds. Chaturvedi explained, though, that the PFRDA is considering additional investment choices, including a default choice. She noted that the government needs to provide financial literacy campaigns to help new investors, especially those in the informal sector who are likely to be less educated, about the risks and benefits of different investment options.

¶14. (SBU) Regarding the pension bill in Parliament, Chaturvedi described a politically changed environment for trying to move the bill forward. She noted that since the PFRDA bill is a "money bill" it requires a simple majority vote and failure to obtain that is seen as a failed vote of confidence - something, she implied, the government may be unwilling to risk.

¶15. (U) Visit New Delhi's Classified Website:  
<http://www.state.sgov/p/sa/newdelhi>

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